



City of San Diego

CARL DEMAIO
CITY COUNCILMEMBER –DISTRICT 5

MEMORANDUM

DATE: December 9, 2009

TO: Honorable Mayor and City Councilmembers

FROM: Councilmember Carl DeMaio *Carl DeMaio*

RE: Strategic Budget Framework and Fiscal Recovery Reserve Account

We need to act immediately on the FY2010/FY2011 budget package – and I applaud the Mayor, city employees and my colleagues for being pro-active in tackling this challenge.

At the same time, a number of ideas have been submitted from the public as part of *San Diego Speaks* and members of the City Council. In addition, there is a sincere desire to see the city replace one-time fixes with long-term structural reforms.

I propose a framework for advancing long-term structural reform as part of our acceptance of the budget package before us today. I ask that the budget package include legislation that directs the following actions be taken.

Action 1: Create a Fiscal Recovery Reserve Account

The “Fiscal Recovery Reserve Account” would be created in the city’s budget. For the remainder of FY 2010 and all of FY 2011, the City Comptroller would be instructed to deposit any funds from the following sources into this account:

- **Revenues Above Forecast:** If the economy recovers, any increased revenues received above the forecast contained in the current budget package should be set aside into the reserve account rather than spent.
- **Cost Savings from Structural Reform:** 18 months provides ample opportunity for progress on efficiency reforms in city departments and progress on pension and retiree healthcare reform. Any cost savings above those anticipated in the budget package would be deposited into the reserve account rather than spent.

At the end of the 18-month budget we are approving with this package, any funds in the reserve account would be used to tackle the FY 2012 budget deficit and safeguard city services from cuts.

The Reserve would be allocated in the following manner:

- **50% to General Fund Reserve:** Funds would be deposited in the city's general fund reserve – up to the reserve goal articulated in the existing City Council Policy
- **25% to Community Infrastructure:** Funds would be used for community infrastructure (unfunded needs already contained in the city's deferred maintenance portfolio.)
- **25% to Restore City Services:** Funds would go to city-wide service priorities identified by each City Councilmember on an equal basis.

Under this reform, the city would deposit any revenues collected in excess of the budget forecast into a reserve account. Half of the monies in this account would be dedicated to the City's Reserve – up to the reserve goal outlined in Council Policy. The other half of the monies would go to Deferred Maintenance projects that are currently unfunded.

Action 2: Strategic Budget Framework

The Independent Budget Analyst would be tasked with preparing a list of structural reforms that would be prioritized for implementation in the next 18 months. The IBA would provide the City Council with a monthly update on implementation status and any cost savings achieved from the reforms.

Each Councilmember would identify one structural reform that would receive top priority consideration for implementation. The IBA would also canvass the ideas submitted as part of *San Diego Speaks* for implementation.

As a starting point, the following reforms would be included in the matrix:

- Priority 1: Retiree Healthcare Reform
- Priority 2: Cost Neutrality of DROP
- Priority 3: Managed Competition/Direct Outsourcing
- Priority 4-11: As Submitted by City Councilmembers (one per)

Action 3: Service Restoration Priority List

After the Mayor submits his FY 2012 budget, City Councilmembers would each be given the opportunity to submit city-wide services for restoration – using up to 25% of the savings accrued in the Fiscal Recovery Reserve Account.

I respectfully submit this proposal for the creation of a **Strategic Budget Framework** and **Fiscal Recovery Reserve Account** for your consideration – and inclusion in the final budget package to be adopted by the Mayor and City Council.